

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2005

UINTAH SCHOOL DISTRICT
Vernal, Utah

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Independent Auditors' Report

Board of Education
Uintah School District
Vernal, Utah

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Uintah School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Uintah School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Uintah School District as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2005 on our consideration of Uintah School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 5 through 11 and 39, are not part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Uintah School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Uintah School District. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Caldwell Beardsley & Kelly LLP

Vernal, Utah
November 22, 2005

Management's Discussion and Analysis

As management of the Uintah School District (District), we offer readers of the District's financial statements this narrative discussion, overview, and analysis of the financial activities of the District for the fiscal year ending June 30, 2005. We encourage readers to consider the information presented here.

Financial Highlights

- During this fiscal year, the district endeavored in new construction by erecting a school foods freezer and warehouse. The project also included the repaving of the Ashley Valley Education Center parking lot. The project, which began in December 2004, was completed in June 2005.
- As was reported in last years MD&A, Vernal Jr. High underwent a major renovation. The project was completed early in this fiscal year with the open house for the renovated facility occurring prior to the start of school in August of 2004. The overall project came in \$500,000 under budget.
- During the 2003-2004 school year, the District partnered with the National School Fitness Foundation to purchase exercise equipment and implement a program for student physical education. There were several requirements that needed to be met to participate in the program and the District met all of them. The District entered into a lease of approximately \$218,000 with Zions Bank to purchase the equipment. The District was then to receive reimbursement for payments made to Zions Bank from the National School Fitness Foundation by participating in the program. There was no guarantee given that the reimbursements would be paid. During the school year, the District received approximately 6 months worth of payments and then failed to receive payments from that point including up to the end of the fiscal year. The National School Fitness Foundation filed for bankruptcy which eliminated future reimbursements. The District has been able to meet all debt obligations with Zions Bank and will continue to do so. It is estimated that this liability will be paid off during the 2005-2006 school year. The bankruptcy proceedings are continuing as this document is written. The District anticipates receiving some settlement from the bankruptcy court, although it is anticipated the amount will be insignificant to the financial statements. The District maintains ownership of the fitness equipment.
- During the March 2005 Board of Education meeting, the Board of Education made the decision to run a campaign to pass a \$50 million General obligation Bond issue. The \$50 million is intended to be used to replace/rebuild Maeser Elementary and Naples Elementary schools and to renovate all other educational facilities. The bond election will take place on November 8, 2005.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the assets and liabilities of the District, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the net assets of the District changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes, earned but unused vacation leave, earned but unused sick leave, and early retirement benefits).

The government-wide financial statements can be found on pages 13-14 of this report.

Fund financial statements. A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the District can be divided into three categories: government funds, proprietary funds, and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term

impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital projects fund, both of which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated, presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 15-18 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the governmental entity. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The District uses an agency fund to account for resources held for student activities and groups. The basic fiduciary fund financial statement can be found on page 19 of this report.

Notes to the financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the government-wide financial statements. The notes to the financial statements can be found on pages 20-38 of this report.

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Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$41,568,072 at the close of the most recent fiscal year. The largest portion of the District's net assets (68%) reflects its investment in capital assets (e.g. land, water stock, buildings and improvements, and furniture and equipment), less any related debt (lease revenue bonds) used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

UINTAH SCHOOL DISTRICT'S Net Assets

	Governmental Activities	
	FY 2005	FY 2004
Assets:		
Current and Other Assets:	\$31,059,835	\$28,260,231
Capital assets:	<u>35,537,425</u>	<u>34,963,520</u>
Total Assets	<u>66,597,260</u>	<u>63,223,751</u>
Liabilities:		
Long-term Liabilities Outstanding	8,930,163	8,895,600
Other Liabilities	<u>16,099,025</u>	<u>15,523,451</u>
Total liabilities	<u>25,029,188</u>	<u>24,419,051</u>
Net Assets:		
Invested in capital assets, net of related debt	28,155,921	27,656,025
Restricted	11,425,642	8,823,961
Unrestricted	<u>1,986,509</u>	<u>2,324,714</u>
Total net assets	<u>\$41,568,072</u>	<u>\$38,804,700</u>

As noted in the net assts comparison, the District incurred an increase of \$2,763,372. This increase is primarily from capital improvements made to facilities within the

District. Other items that the change are attributed to include technology purchases and improvements and an increase in the designated reserve fund balance.

At the end of the current fiscal year, the District is able to report positive balances in all three categories of net assets, both for the District as a whole, as well as for its separate governmental activities. The same situation held true for the prior fiscal year.

Revenue Source/Expenditure Analysis as a Whole

As seen below, the Districts revenues increase in FY 2005 over FY 2004 by \$1,049,709. The primary reason for the increase in property taxes and fees in lieu is due to an increase in assessed valuation and new growth in Uintah County. This increase in assessed valuation is projected to continue for a number of years to come. The increase in state aid is due to a small increase in the number of students in the district as well as a new state supported K-3 reading program implemented during the year. Federal revenues have decreased due to cuts in the federal budget for public education and due to certain grants expiring within the district. Earnings on investments have increased as interest rates have increased nationally.

Revenue Sources - All Funds	FY 2005	FY 2004	Variance	%
Property Taxes & Fees in Lieu	\$12,847,198	\$11,400,308	\$1,446,890	13%
State Aid	21,718,838	21,349,454	369,384	2%
Federal Aid	6,646,055	7,399,678	(753,623)	-10%
Local Revenues	1,615,945	1,757,927	(141,982)	-8%
Earnings on Investments	366,191	237,151	129,040	54%
Total	\$43,194,227	\$42,144,518	\$ 1,049,709	2%

Overall expenditures increased \$2,686,412. This increase was primarily due to an extended effort to spend more resources in instruction. This was one of the districts goals and the district has been able to put more funds into the classroom.

Financial Analysis of District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. The unreserved fund balance is divided between designated balances and undesignated balances. The District uses the unreserved balances for emergency and unforeseen hardships on the District. Undesignated balances in the general fund are required by state law to be appropriated in the following year's budget. Fund balances in capital projects and other

governmental funds are restricted by state law to be spent for the purpose of the fund and are not available for spending at the District's discretion.

General fund. The general fund is the chief operating fund of the District. At the end of the current fiscal year, the undesignated fund balance was \$459,069 while the total fund balance was \$6,898,440. The undesignated fund balance increased by \$39,406 while the total fund balance decreased by \$495,059 during the current fiscal year. The key factors in this growth are a result of an increase in unexpended revenues in restricted programs.

Expenditures for general District purposes totaled \$33,689,972 an increase of \$2,471,905 or 7.9% during the current fiscal year; this increase was mainly due to an increase in inflation and salaries and benefits. In addition a new K-3 reading program was implemented.

General fund salaries totaled \$20,627,295 while the associated fringe benefits of retirement, social security, unemployment, industrial insurance, life insurance, long-term disability, and health and accident insurance added \$8,081,751 to arrive at 85.22% of total general fund expenditures.

The capital projects fund has a total fund balance of \$5,830,236, an increase of \$2,457,173 over FY 2004. This fund balance is restricted for acquisition of capital assets, purchase of supplies, and related expenditures.

The non k-12 programs special revenue fund balance is \$1,027,048. This is an increase of \$358,803 over the previous year. This fund includes adult education, recreation services, and special education-preschool. The balances in this fund are restricted to services allowed and provided in each one of these programs.

The school foods special revenue program ended the current year with a fund balance of \$806,502. This is a decrease of \$5,365 over the previous year. The school lunch program is very well managed and runs as efficiently as any in the State of Utah. These funds can only be used for the school foods program.

The Uintah Schools Foundation received contributions of \$53,596 during the current fiscal year to assist school programs.

The difference between actual expenditures and original budgeted expenditures is \$1,885,605. The final budget was increased by \$1,366,911.

Capital Asset and Debt Administration

The capital projects fund is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District. As mentioned previously, the District began the Vernal Jr. High addition/remodel in the

2002-2003 school year and a renovation of the Vernal Jr. High locker rooms in the 2003-2004 school year. These projects have been completed during the current fiscal year under audit. The project cost came in under budget by \$500,000. The District has financed this project through a Municipal Building Authority by purchasing \$7.3 in lease revenue bonds. These bonds will be paid back over a 20 year period. The payment each year is approximately \$600,000. These funds were raised by increasing the District's capital outlay levy. In the event the General Obligation bond election mentioned previously in this document, approximately \$4.5 million of the current capital outlay reserve amount will be used to pay down this debt with the plan to pay off this debt in whole at the 5-year point. This is the only debt the District currently has.

Changing Enrollment within the District

This fiscal year, the District's enrollment increase was 4 students as compared to the prior year, which was a change in the multiple year trend of declining enrollment. The district anticipates that this enrollment will flatten over the next 1-2 years. Due to the current rise in the oil and gas industry, the district anticipates some steady increases in enrollment no later than the 2007-2008 school year.

Requests for Information

This financial report is designed to provide a general overview of the Uintah School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Business Administrator
Uintah School District
635 West 200 South
Vernal, UT 84078

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Uintah School District

Statement of Net Assets

June 30, 2005

	Governmental Activities
Assets:	
Cash and investments	\$ 15,917,584
Receivables:	
Property taxes	12,448,376
Other Governments	2,396,402
Other	138,919
Prepaid expenses	12,404
Inventories	84,669
Bond issuance costs, net	61,481
Capital assets:	
Land	4,230,351
Other capital assets, net of depreciation	31,307,074
Total Assets	<u>66,597,260</u>
Liabilities:	
Accounts payable	2,046,141
Accrued interest	121,052
Accrued salaries	1,644,594
Deferred revenue	
Property taxes	12,217,644
Other current liabilities	69,594
Noncurrent liabilities:	
Due within one year	909,694
Due in more than one year	8,020,469
Total liabilities	<u>25,029,188</u>
Net Assets:	
Invested in capital assets, net of related debt	28,155,921
Restricted for:	
Expendable:	
Capital projects	5,830,236
Foundation	67,276
K-12 programs	3,618,696
Non K-12 programs	1,027,048
School Foods	806,502
Nonexpendable:	
Foundation	75,884
Unrestricted	1,986,509
Total net assets	<u>\$ 41,568,072</u>

The notes to the financial statements are an integral part of this statement.

Statement of Activities
For the year ended June 30, 2005

Uintah School District

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Total Governmental Activities	
Governmental activities:					
Instruction	\$ 24,530,950	\$ 164,480	\$ 7,731,443	\$ (16,635,027)	
Support Services:					
Students	1,389,076	94,232	457,816	(837,028)	
Instructional staff	902,381	3,043	322,271	(577,067)	
District administration	696,902		115,680	(581,222)	
School administration	2,028,602	146	9,836	(2,018,620)	
Central	729,264	5,369	356,307	(367,588)	
Operation and maintenance of plant	3,867,988	1,770	37,537	(3,828,681)	
Student transportation	2,431,113	2,113	1,564,754	(864,246)	
Noninstructional services	1,225,454	37,278	412,669	(775,507)	
School food services	2,334,776	826,968	1,384,735	(123,073)	
Debt service - interest	294,349			(294,349)	
Total	\$ 40,430,855	\$ 1,135,399	\$ 12,393,048	(26,902,408)	

General revenues:

Property taxes & fees in lieu levied for:

General purposes	3,817,046
Transportation	614,588
Tort liability	205,579
K-3 Reading	257,436
Recreation	664,842
Capital outlay	7,287,707
Federal and State aid not restricted to specific purposes	15,971,845
Earnings on investments	366,191
Miscellaneous	480,546
Total general revenues	29,665,780

Change in net assets

Net assets - beginning

Net assets - ending

2,763,372
38,804,700
\$ 41,568,072

The notes to the financial statements are an integral part of this statement.

Balance Sheet - Governmental Funds
For the year ended June 30, 2005

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	Capital Outlay			
ASSETS					
Cash - Note 3	\$ 842,198			\$ 52,590	\$ 894,788
Investments - Note 3	7,505,493	\$ 5,716,425		1,800,878	15,022,796
Accounts receivable					
Property taxes	4,532,529	7,166,995		748,852	12,448,376
Other local sources	145,051	96,000		3,868	244,919
State sources	17,115	66,379		48,826	132,320
Federal sources	2,054,374			103,708	2,158,082
Total Accounts Receivable	6,749,069	7,329,374		905,254	14,983,697
Pre-paid expenses	12,404				12,404
Inventories				84,669	84,669
	\$ 15,109,164	\$ 13,045,799		\$ 2,843,391	\$ 30,998,354
LIABILITIES AND FUND EQUITY					
Liabilities					
Accounts payable	\$ 2,045,733	\$ 54		354	\$ 2,046,141
Accrued salaries and withholdings	1,532,188			112,406	1,644,594
Deferred revenue - Note 7	4,563,209	7,215,509		753,921	12,532,639
Other current liabilities	69,594				69,594
Total Liabilities	8,210,724	7,215,563		866,681	16,292,968
Fund Equity					
Fund Balances					
Reserved for special programs - Note 8	3,618,696			1,099,062	4,717,758
Reserved for long-term receivable - Note 8		96,000			96,000
Unappropriated balances					
Undistributed reserve	1,850,000				1,850,000
Designated - Note 8	970,675	396,791			1,367,466
Undesignated	459,069	5,337,445		877,648	6,674,162
Total Fund Equity	6,898,440	5,830,236		1,976,710	14,705,386
	\$ 15,109,164	\$ 13,045,799		\$ 2,843,391	\$ 30,998,354

The notes to the financial statements are an integral part of this statement.

**Reconciliation of the Balance Sheet Of Governmental Funds
To the Statement of Net Assets**
June 30, 2005

Total fund balance - total governmental funds	\$ 14,705,386
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets of \$65,147,868, net of accumulated depreciation of \$29,610,443, are not financial resources and, therefore, are not reported in the governmental funds. See note A for additional details.	35,537,425
Property taxes levied for current and prior years not received within 60 days of year end are not considered financial resources and, therefore, are deferred in governmental funds; but are considered earned in the year for which they were assessed in the statement of net assets.	314,995
Long-term liabilities are not due and payable in the current period, and are not reported in the governmental funds:	
Revenue bonds payable	(7,300,000)
Obligations under capital lease	(81,504)
Early retirement benefits payable	(1,548,659)
Accrued interest on revenue bonds is not recorded in the governmental funds	(121,052)
Bond issuance costs are expensed when bonds are issued in the governmental funds. However, Bond issuance costs are amortized over the life of the bonds in the statement of net assets.	61,481
	<hr/>
Net assets of governmental activities	<u>\$ 41,568,072</u>

The accompanying notes are an integral part of this financial statement.

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2004

	Major Funds			Other Governmental Funds	Total
	General	Capital Outlay			
REVENUES					
Property Taxes & fees in lieu	\$ 4,931,130	\$ 7,345,392	\$	670,869	\$ 12,947,391
State aid	20,756,484			962,354	21,718,838
Federal aid	5,316,376	66,379		1,263,300	6,646,055
Local school lunch				767,640	767,640
Tuition	46,098			5,851	51,949
Earnings on investments	229,892	96,230		40,069	366,191
Other local revenues	638,933	62,959		141,375	843,267
Total Revenues	31,918,913	7,570,960		3,851,458	43,341,331
EXPENDITURES					
Current					
Instruction	22,104,383	417,292			22,521,675
Support services					
Students	1,375,185			7,312	1,382,497
Instructional Staff	862,139			30,313	892,452
District administration	680,268				680,268
School administration	2,101,450				2,101,450
Central	511,665	141,628			653,293
Operation and maintenance of plant	2,817,061	425,524			3,242,585
Student transportation	2,058,939			1,142,250	2,058,939
Noninstructional services					1,142,250
Facilities acquisition & construction				2,186,010	2,186,010
School food services					
Debt Service					
Interest		293,467			293,467
Principal		66,729			66,729
Capital Outlay					
Instruction	334,092	253,823			587,915
Support services	844,790	187,497			1,032,287
Noninstructional services				83,204	83,204
Facilities acquisition & construction		2,051,827			2,051,827
School food services				35,779	35,779
Total Expenditures	33,689,972	3,837,787		3,484,868	41,012,627
Excess of Revenues Over (Under) Expenditures	(1,771,059)	3,733,173		366,590	2,328,704
OTHER SOURCES (USES) OF FUNDS					
Interfund transfers	1,276,000	(1,276,000)			
Total Other Sources (Uses) of Funds	1,276,000	(1,276,000)			
Ex					
ce					
Fund Balances at July 1	(495,059)	2,457,173		366,590	2,328,704
Fund Balances at June 30	7,393,499	3,373,063		1,610,120	12,376,682
	\$ 6,898,440	\$ 5,830,236	\$	\$ 1,976,710	\$ 14,705,386

The notes to the financial statements are an integral part of this statement.

**Reconciliation of the Statement of Revenues, Expenditures, and Changes
In Fund Balances of Governmental Funds To the Statement of Activities**
For the year ended June 30, 2005

Net change in fund balances - total governmental funds: **\$ 2,328,704**

Amounts reported for *governmental activities* in the statement
of activities are different because:

Property taxes are recorded as revenue in the year for which they are assessed
in the statement of activities. However, taxes not received within 60 days of year
end are deferred in the governmental funds. Deferred delinquent property taxes
decreased. (100,193)

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of capital assets is depreciated over the
estimated useful lives of the assets.

The cost of assets purchased 2,388,683
Depreciation expense (1,767,867)

In the statement of activities, gain or loss realized on the sale of capital assets is
reported, whereas in the governmental funds, the proceeds from the sale
increase financial resources.

Undepreciated book value of capital assets retired (46,911)

Capital lease obligation payments are recorded as current expenditures in
governmental funds, but as reductions in liabilities in the statement of net assets.
Bond issuance costs are recorded as expenditures in governmental funds;
however such costs are recorded as assets in the statement of net assets and
are amortized over the life of the bonded debt. Interest on bonded debt is
recorded when payment is due in the governmental funds. However, interest on
bonded debt is recorded as it accrues in the statement of activities.

Capital lease obligation payments 66,729
Current amortization of debt issuance costs (3,599)
Accrued interest on bonded debt (net change) (882)

Early retirement benefits are recorded as expenditures in the governmental funds
when benefits are paid or become due. However, in the statement of activities,
early retirement benefits are recorded as expense when they are awarded to
employees. Payment of benefits is recorded as a reduction in liabilities.

Early retirement benefits awarded to retirees in fiscal 2005. (627,693)
Early retirement benefits paid in fiscal 2005 526,401

Change in net assets of governmental funds **\$ 2,763,372**

The accompanying notes are an integral part of these financial statements.

Uintah School District

Statement of Fiduciary Net Assets Agency Funds June 30, 2005

	<u>Agency Funds</u>
Assets	
Cash and investments	<u>\$ 218,166</u>
Liabilities	
Due to student organizations	\$ 181,031
Due to flexible spending	<u>37,135</u>
Total liabilities	<u>\$ 218,166</u>

The accompanying notes are an integral part of this financial statement.

**Notes to the Financial Statements
June 30, 2005**

1. Summary of Significant Accounting Policies

1. A. Introduction

The accounting and reporting framework and the more significant accounting principles and practices of Uintah School District (District) are discussed in subsequent sections of this Note. The remainder of the Notes is organized to provide explanations, including required disclosures, of the District's financial activities for the year ended June 30, 2005.

1. B. Financial Reporting Entity – Basis of Presentation

1. B. 1. Component Units

Uintah School District is governed by the board of education, the members of which are elected by citizens residing in five voting districts. The accompanying financial statements present the District's primary government and component units over which the District exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the District (as distinct from legal relationships).

The District's financial statements include two component units: The Municipal Building Authority of Uintah County School District, and The Uintah Schools Foundation. Both component units are blended with the primary government. Both component units are legally separate entities. Neither component unit has issued separate financial statements.

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Uintah School District

Notes to the Financial Statements June 30, 2005

Component units are reported in the District's financial statements as shown in the following table:

Blended Component Units Reported with the Primary Government	Brief Description of Activities and Relationship to the District	Reporting Funds
Municipal Building Authority of Uintah County School District (MBA)	Finances building remodeling and construction. Board of Education members act as the governing board of the MBA. District employees manage MBA assets and operations.	MBA single purpose fund blended with the District's capital outlay fund.
Uintah Schools Foundation (Foundation).	Provides funding to support the District and its students. An independent board of volunteers governs the Foundation. New board members are appointed by serving board members.	Foundation operating fund and permanent endowment funds blended with the District's other governmental funds.

1. B. 2. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the District as a whole excluding fiduciary activities such as student activity funds. The primary government and its blended component units are presented. Individual funds are not displayed.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services that report fees, tuition, and other charges to users of the District's services; (2) operating grants and contributions that finance annual operating activities; and (3) capital grants and contributions that fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Notes to the Financial Statements
June 30, 2005

Administrative overhead charges are included in direct expenses.

Fund Financial Statements

The accounts of the District are organized on the basis of funds or groups of accounts, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, reserves, fund balances, revenues, and expenditures. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The fund financial statements provide information about the District's governmental and fiduciary funds, including blended component units. Separate statements are provided for each fund category (governmental and fiduciary). Major individual governmental funds are reported individually in separate columns with a composite column for non-major funds.

1. B. 3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). The District reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions specifically made applicable to state and local governments by GASB statements or interpretations.

The *government-wide, and fiduciary* financial statements are reported using the economic resources measurement focus and the accrual method of accounting including the elimination of internal activity (between or within funds). Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District receives value without directly giving equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, grants and interest are considered to be susceptible to accrual. In general, other revenues are recognized when cash is received. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, early retirement and post-employment healthcare benefits, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital

Notes to the Financial Statements
June 30, 2005

asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

1. B. 4. Fund Types and Major Funds

The District reports the following major governmental funds:

- The *operations and maintenance fund* (general fund) is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *capital projects* fund accounts for resources accumulated and payments made for the acquisition and improvement of sites, construction and remodel of facilities, and procurement of equipment.

Additionally, the District reports the following fund type:

- The *student activities agency fund* and the *flexible spending agency fund* (fiduciary funds) account for monies held on behalf of student groups, and for employees pending qualified expenditures, respectively.

1. C. Assets, Liabilities, and Net Assets or Equity

1. C. 1. Deposits and Investments

The District maintains a cash and investment pool that is available for use by all funds. In addition, certain funds maintain separate bank accounts.

Demand deposits, including money market investments are reported as cash. Investments include deposits in the Utah Public Treasurer's Investment fund, certificates of deposit with maturities greater than 90 days, and marketable securities held by the Uintah School District Foundation.

Investments are stated at cost which is not materially different from fair value, except for Uintah School District Foundation investments in marketable securities, which are stated at fair value, determined by reference to quoted market prices.

**Notes to the Financial Statements
June 30, 2005**

Further information on deposits and investments is presented in note 3.

1. C. 2. Inventories

Supplies and food products in the school foods fund are charged to expenditures when purchased, using the purchase method. Items in inventory at year-end are valued at cost as determined using the first-in, first-out method.

1. C. 3. Capital Assets, and Depreciation

The District's land, improvements, buildings, and equipment are stated at historical cost (or estimated historical cost if actual historical cost is not available) and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The District capitalizes assets with cost of \$5,000 or more as purchase and construction costs occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

- Buildings and land improvements 10 – 50
- Equipment, furniture, and machinery 5 – 20

In the governmental fund financial statements, the acquisition or construction of capital assets are recorded as current expenditures. Assets are not capitalized and depreciated. Proceeds from the sale of capital assets are recorded as current revenue.

Further information on capital assets and depreciation is presented in note 5.

1. C. 4. Long-Term Debt, and Deferred Debt Expense

In the government-wide financial statements, outstanding debt and other long-term liabilities are reported as liabilities. Bond issuance costs are amortized over the terms of the respective bonds using the straight-line method, which approximates the effective interest rate method.

The governmental fund financial statements recognize the proceeds of debt as other financing sources of the current period. The bond issuance costs are reported as current expenditures.

Further information on Long-term debt is presented in note 6.

Notes to the Financial Statements
June 30, 2005

1. C. 5. Fund Equity

The governmental fund financial statements report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for specific purposes. Designations of fund balances represent tentative plans for future use of financial resources that are subject to change.

Further information on reserved and designated fund balances is presented in note 8.

1. D. Accumulated Compensated Absences

Sick leave: Each contracted employee is allowed 12 to 16 days sick leave per year. Unused sick leave accumulates to a maximum of 150 days. Unused sick leave does not vest with the employee, i.e., it is lost upon termination of employment. However, 15% of the unused sick leave is paid to employees who voluntarily terminate their employment or retire after 20 years of service in the District. The value of the sick leave to be paid to retiring employees is accrued in government-wide financial statements in the period the retirement is approved. The governmental fund financial statements record the sick leave benefit in the period it is paid.

Vacation: Employees working on year-round contracts earn ten days vacation after working one year and one additional day for each year after five years of service not to exceed fifteen days. Upon termination of employment unused vacation days are paid to the employee. Unused vacation pay is accrued in both the government-wide and governmental fund financial statements. Employees forfeit unused vacation time in excess of five days.

2. Budgetary Information

The District adopts budgets for each of its governmental funds in accordance with State law. Budgets are presented on the same basis of accounting as that used in the governmental funds financial statements. A budgetary comparison schedule is presented as required supplementary information (RSI) for the operations and maintenance (general) fund. The following procedures are used in establishing the District's budgets:

- Prior to May 31st the District Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are held by the Board of Education to obtain taxpayer comments.

Uintah School District

Notes to the Financial Statements June 30, 2005

- The budget is formally adopted prior to June 15th.
- The School Board may transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved only after a public hearing.
- Other special procedures apply if the rate of tax is increased over the prior year.

3. Deposits and Investments

The District follows the requirements of the Utah Money Management Act (Act) (Section 51, Chapter 7 of the Utah Code) in handling its depository and investing transactions. District funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the District to invest in the Utah Public Treasurers' Investment Fund (PTIF), certificates of deposit, U.S. Treasury obligations, U.S. agency issues, high-grade commercial paper, banker's acceptances, repurchase agreements, corporate bonds, restricted mutual funds, and obligations of governmental entities within the State of Utah.

The PTIF is invested in accordance with the Act. The State Money Management Council provides regulatory oversight for the PTIF. The degree of risk of the PTIF depends upon the underlying portfolio.

The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. If a qualified depository should become ineligible to hold public funds, public treasurers are notified immediately. The District considers the actions of the Council to be necessary and sufficient for adequate protection of its uninsured bank deposits.

Deposits and investments at June 30, 2005 appear in the financial statements as summarized below:

Cash and investments - governmental activities, statement of net assets	\$15,917,584
Cash and investments - flexible spending	37,135
 Cash and investments - student activities fund	 <u>181,031</u>
Total cash and investments	<u>\$16,135,750</u>

Uintah School District

Notes to the Financial Statements June 30, 2005

Deposits

At June 30, 2005, the District's carrying amount of deposits was \$617,856 and the bank balance was \$640,319. Of the bank balance, Federal Depository Insurance covered \$444,876, and \$195,443 was uninsured. No deposits are collateralized nor are they required to be. Deposits include amounts held in demand accounts, savings accounts and non-negotiable certificates of deposit. The District has not adopted a policy regarding custodial credit risk for deposits.

The District's primary checking account for bill paying (included in the deposits described in the paragraph above) is linked to the repurchase agreement account described below on an overnight sweep basis. The checking account carrying balance at June 30, 2005 was (\$0). The repurchase account balance was \$578,298, for a net cash balance of \$578,298.

Investments

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the entity or its agent in the entity's name.
2. Uninsured and unregistered, with securities held by the counter party's trust department or agent in the entity's name.
3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the entity's name.

At June 30, 2005, the District's investment balances were as follows:

Investments	Category			Carrying Amount/ Fair Value	Cost
	1	2	3		
Repurchase Agreements (over-night sweep)			\$578,299	\$ 578,299	\$ 578,299
Common stock	\$16,344			16,344	21,485
Investments not subject to categorization:					
State Public Treasurers' Investment Fund				14,923,251	13,677,046
Total investments	\$16,344	\$ -	\$578,299	\$15,517,894	\$14,276,830

**Notes to the Financial Statements
June 30, 2005**

The District has not adopted a policy regarding custodial credit risk for investments.

State Public Treasurer's Investment Fund investments at June 30, 2005 include \$247 of unexpended revenue bond proceeds held in the PTIF by a commercial bank trustee. These funds are restricted for the Vernal Jr. High remodeling project and the payment of the related MBA lease revenue bonds. At June 30, 2005 accounts payable totaling \$0 were payable from the restricted account.

Note 1.C.1. provides additional information about deposits and investments.

4. Property Taxes

The property tax revenue of the District is collected and distributed by the Uintah County treasurer as an agent of the District. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 and complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners.

A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The county auditor makes approved changes in assessed value by November 1 and on this same date the county auditor is to deliver the completed assessment rolls to the county treasurer. Tax notices are mailed with a due date of November 30. Delinquent taxes are subject to a 2% penalty, with a \$10 minimum penalty. If delinquent taxes and penalties are not paid by January 15 of the following year, these delinquent taxes, including penalties, are subject to an interest charge at an annual rate equal to the federal discount rate plus 6%; the interest period is from January 1 until date paid. Essentially all property taxes are collected within a five-year period, after which time the county treasurer may force sale of property to collect the delinquent taxes.

Motor vehicles are subject to an "age-based" fee in-lieu of property taxes. The age-based fee is for passenger type vehicles and ranges from \$10 to \$150 based on the age of the vehicle. The revenues collected in each county from motor vehicle fees is distributed by the county to each taxing entity in which the property is located in the same proportion in which revenue collected from property taxes is distributed. The District recognizes the fee in-lieu of property taxes revenue when the county collects it.

The property taxes receivable and property taxes deferred revenue accounts at June 30, 2005 are summarized as follows:

Uintah School District

Notes to the Financial Statements June 30, 2005

	General	Capital Outlay	Other Governmental Funds	Total Governmental Funds	Total Statement of Net Assets
Property taxes - receivable:					
Levied for current and prior years (delinquent)	\$ 114,692	\$ 181,354	\$ 18,949	\$ 314,995	\$ 314,995
Levied for future year	4,417,837	6,985,641	729,903	12,133,381	12,133,381
	<u>\$ 4,532,529</u>	<u>\$ 7,166,995</u>	<u>\$ 748,852</u>	<u>\$ 12,448,376</u>	<u>\$ 12,448,376</u>

	General	Capital Outlay	Other Governmental Funds	Total Governmental Funds	Total Statement of Net Assets
Property taxes - deferred revenue:					
Levied for current and prior years (delinquent)	\$ 114,692	\$ 181,354	\$ 18,949	\$ 314,995	-
Levied for future year and collected	30,680	48,514	5,069	84,263	84,263
Levied for future year and uncollected	4,417,837	6,985,641	729,903	12,133,381	12,133,381
	<u>\$ 4,563,209</u>	<u>\$ 7,215,509</u>	<u>\$ 753,921</u>	<u>\$ 12,532,639</u>	<u>\$ 12,217,644</u>

5. Capital Assets

The District's capital assets are summarized as follows:

	Assets			
	Balance 6/30/04	Additions	Retired	Balance 6/30/05
Land	\$ 4,230,351			\$ 4,230,351
Land Improvements	347,048	72,123		419,171
Buildings	50,617,895	1,651,053	(68,381)	52,200,567
Equipment				
Computers	209,558	73,315	(17,994)	264,879
Equipment	2,781,094	191,168	(146,400)	2,825,862
Vehicles	5,256,475	401,024	(450,461)	5,207,038
Total Depreciable Assets	<u>59,212,070</u>	<u>2,388,683</u>	<u>(683,236)</u>	<u>60,917,517</u>
Total Assets	<u>\$63,442,421</u>	<u>\$2,388,683</u>	<u>\$(683,236)</u>	<u>\$65,147,868</u>

Uintah School District

Notes to the Financial Statements June 30, 2005

	Accumulated Depreciation			
	Balance 6/30/04	Current Expense	Retired	Balance 6/30/05
Land				
Land Improvements	\$ 46,827	\$ 20,032	\$ -	\$ 66,859
Buildings	23,910,884	1,048,490	(58,547)	24,900,827
Equipment				
Computers	162,777	22,879	(13,402)	172,254
Equipment	989,752	250,270	\$ (115,996)	1,124,026
Vehicles	3,368,661	426,196	(448,380)	3,346,477
Total Depreciable Assets	28,478,901	1,767,867	(636,325)	29,610,443
Total Assets	<u>\$28,478,901</u>	<u>\$ 1,767,867</u>	<u>\$ (636,325)</u>	<u>\$29,610,443</u>

Depreciation expense was directly charged to the functions wherein the respective assets are used. In addition, the depreciation of school buildings and related assets was allocated to functions based on the estimated usage of the assets as follows: School administration 5%, Operation and maintenance of plant 2%, School food services 8%, and Instruction 85%. Total depreciation expense was charged to functions as follows:

Function	Total 2005 Depreciation
General administration	\$ 31,153
Student transportation	347,521
Operation and maintenance of plant	113,209
School food services	123,653
Instruction	1,088,313
School administration	64,018
Total	<u>\$ 1,767,867</u>

**Notes to the Financial Statements
June 30, 2005**

Construction Commitments:

As of June 30, 2005 the District is obligated under a construction contract related to boilers for the Vernal Middle School. The contract totals \$100,000 and no work was completed as of year-end. A portion of the fund balance in the capital outlay fund has been designated to satisfy these commitments.

6. Long-term Debt

• **Revenue Bonds**

Revenue bonds outstanding consist of The Municipal Building Authority Uintah County School District (MBA) Lease Revenue Bonds, Series 2002. The bonds, dated September 24, 2003 were issued to partially finance the remodeling of the Vernal Jr. High School. The first bond matures August 1, 2005 and bears interest at a fixed rate of 3.35%. One bond matures each year after that through 2012 for increasing amounts running from \$292,000 to \$376,000, with fixed interest rates from 3.65% to 4.55%. Beginning in 2013 the remaining bonds mature. The interest rate is 3.9% through July 31, 2007 and then is adjusted every five years based on an index rate. The repayment schedule is designed to retire the bonds in eighteen annual payments of approximately \$600,000.

Uintah School District transferred ownership of the Vernal Jr. High School to the Municipal Building Authority, and leased the facilities back for an annual rental in an amount sufficient to pay the bond payments.

The annual debt service requirements to maturity are summarized as follows:

Year Ending June 30,	MBA Lease Revenue Bonds		Total
	Principal	Interest	
2006	282,000	285,288	567,288
2007	292,000	275,235	567,235
2008	303,000	263,997	566,997
2009	316,000	251,690	567,690
2010	329,000	238,300	567,300
2011-2015	1,878,000	959,652	2,837,652
2016-2020	2,293,000	543,874	2,836,874
2021-2023	1,607,000	95,648	1,702,648
Total	<u>\$7,300,000</u>	<u>\$2,913,684</u>	<u>\$10,213,684</u>

**Notes to the Financial Statements
June 30, 2005**

• **Capital Lease Obligation**

The District financed the purchase of certain equipment by entering into a lease purchase agreement dated July 1, 2003. The contract requires monthly lease payments consisting of principal and interest at 3.150% beginning August 1, 2003 through July 1, 2006, in the amount of \$6,380. The contract was paid off early July 22, 2005.

The annual debt service requirements to maturity are summarized as follows:

Equipment Lease Purchase

Year Ending June 30,	Principal	Interest	Total
2006	81,504	304	81,808
Total	\$ 81,504	\$ 304	\$ 81,808

• **Early Retirement Benefits**

Uintah School District provides early retirement benefits to employees who retire before their normal retirement date with specified years of service. The actual benefits available to employees depend upon the terms of the District's policy in effect at the time of retirement. In addition to early retirement benefits, some employees (depending on the early retirement policy at the time of their retirement) qualify for post-retirement medical insurance benefits until they are eligible for Medicare. During the fiscal year ended June 30, 2005 employees retired under the early retirement policy with total estimated benefits (including medical insurance) to be paid in future years of \$627,693. During the fiscal year actual benefits paid totaled \$526,401. At June 30, 2005 Thirty-nine (39) retired employees were receiving medical insurance benefits.

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Uintah School District

Notes to the Financial Statements June 30, 2005

Long-term debt activity for the year is summarized as follows:

	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005	Due within One Year
Governmental activities:					
Bonds payable:					
MBA Revenue Bonds	\$ 7,300,000	\$ -	\$ -	\$ 7,300,000	\$ 282,000
Total bonds payable, net	7,300,000	-	-	7,300,000	282,000
Capital Lease Obligation	148,233		(66,729)	81,504	81,504
Early retirement payable (including insurance)	1,447,367	627,693	(526,401)	1,548,659	546,190
Total governmental activity					
Long-term liabilities	<u>\$ 8,895,600</u>	<u>\$ 627,693</u>	<u>\$ (593,130)</u>	<u>\$ 8,930,163</u>	<u>\$ 909,694</u>

Additional information regarding the reporting of long-term debt is found in notes 1.B.3. and 1.C.4.

7. Deferred Revenues

Certain revenues received or accrued as of June 30, 2005 are for the following fiscal year. Accordingly these revenues are deferred. Deferred revenue at June 30, 2005 is as follows:

	General	Capital Outlay	Other Governmental Funds	Total Governmental Funds	Total Statement of Net Assets
Property taxes - deferred revenue:					
Levied for current and prior years (delinquent)	\$ 114,692	\$ 181,354	\$ 18,949	\$ 314,995	-
Levied for future year and collected	30,680	48,514	5,069	84,263	84,263
Levied for future year and uncollected	4,417,837	6,985,641	729,903	12,133,381	12,133,381
	<u>\$ 4,563,209</u>	<u>\$ 7,215,509</u>	<u>\$ 753,921</u>	<u>\$ 12,532,639</u>	<u>\$ 12,217,644</u>

Uintah School District

Notes to the Financial Statements June 30, 2005

8. Reserved and Designated Fund Balances

Reserved for special programs

Uintah School District has received funds for various special programs. Portions of these funds which were not expended during the year ended June 30, 2005, and which may be carried over to the subsequent year, have been reserved in the fund balance for their specific purposes. These amounts apply to the specific programs as follows:

Program Number	Description	General	Other Governmental Funds
0051	Elementary Prep Time - Ashley	\$ 1,305	
0055	Student fees	167,446	
0056	Risk Management	36,659	
0060	Saturday School	4,360	
0075	Workers Comp.	42,963	
0080	Unemployment	39,215	
0120	Maeser Elementary - Smiths	1,148	
0307	Job Enhancement	15,858	
0600	Transportation P-Tax	25,035	
1205	Regular Handicapped	546,986	
1206	SPED Medicaid	128,309	
1215	SPED Preschool		\$ 523,322
1216	SPED Medicaid Preschool		72,957
1220	SPED Extended year	51,038	
1225	Special Ed State programs	72,255	
1295	Cepp	51,335	
1609	Adult High School Completion		95,645
1610	Adult Basic Skills		7,400
1611	GED		5,729
3010	Community Recreation		223,743
3020	Connections	73,870	

Uintah School District

Notes to the Financial Statements June 30, 2005

5211	Gifted and Talented	153,103	
5212	Advanced Placement	3,765	
5213	Concurrent Enrollment	227,674	
5215	At-Risk	94,767	
5218	At-Risk Homeless	34,912	
5221	Youth In Custody	26,248	
5225/ 5226	Quality Teaching	257,973	
5230	Class Size Reduction	97,491	
5306	Student Intervention	95,972	
0600/ 5315	Transportation	99,895	
5345	Staff Development	1,533	
5355	Reading Initiative		
5361	ETI Scholarship Funds - UBET	2,072	
5364	Alternative Language	58,134	
5366	Highly Impacted	81,395	
5405	Exp Dev Formula	16,033	
5420	School Trust Lands	36,610	
5460	K-3 Reading Initiative	43,265	
5460	K-3 Reading Initiative P Tax	10,446	
5614	Art Education	242	
5699	UPASS	94,181	
5851	Teacher Supplies and Materials	5,785	
5865	Reading Performance Imp	2,500	
5980	Art Works for Kids	29,465	
6915	Applied Technology Education	87,034	
6916	ATE Set-Aside	49,216	
0001	Impact Aid	751,203	
3010	Recreation		27,106

Uintah School District

Notes to the Financial Statements June 30, 2005

Uintah School District Foundation	143,160
Total for special programs	<u>\$ 3,618,696 \$ 1,099,062</u>

Reserved for long-term receivables

Uintah School District purchased real property for the Uintah Basin Applied Technology College (UBATC) during the year ended June 30, 2001. UBATC has agreed to pay the District the cost of the property with no interest over a period of years as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Capital Outlay</u>
2006	24,000
2007	24,000
2008	24,000
2009	24,000
	<u>\$ 96,000</u>

Fund balance in the Capital Outlay Fund has been reserved in the amount of the receivable because the funds are not available to fund District operations until the years they are received.

Designated fund balances

The District has designated a portion of the general fund balance for the following purposes:

Designated fund balance:		<u>General</u>	<u>Capital Outlay</u>
9991	Vernal Jr. High Renovation		
9500	Vehicle Repair and Maintenance	\$ 16,897	
9600	Literacy Commission	1,451	
9700	Uintah Basin Ed Conf	7,861	

Uintah School District

Notes to the Financial Statements June 30, 2005

9990	Administration	238,937		
001	Regular Programs	163,762	\$	296,791
	VMS Boilers			100,000
	FY 2006 Budget	73,422		
	School foods Building	268,345		
	Employee Bonus	200,000		
	Total designated fund balance	<u>\$ 970,675</u>	<u>\$</u>	<u>396,791</u>

9. Pension Plans

Plan Description. The Uintah School District contributes to the State and School Contributory Retirement System and State and School Noncontributory Retirement System, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the State and School Contributory Retirement System and State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy. Plan members in the State and School Contributory Retirement System are required to contribute 6.00% of their annual covered salary (all or part may be paid by the employer for the employee) and Uintah School District is required to contribute 8.89% of their annual covered salaries. In the State and School Noncontributory Retirement System the Uintah School District is required to contribute 13.38% of the annual covered salaries. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The Uintah School District contributions to the State and School Contributory Retirement system for the years ending June 30, 2005, 2004 and 2003 were \$45,820, \$37,946, and \$36,585, respectively and for the Noncontributory Retirement System the Contributions for June 30, 2005, 2004, and 2003 were \$2,605,785, \$2,112,926, and \$1,909,991, respectively. The contributions were equal to the required contributions for each year.

**Notes to the Financial Statements
June 30, 2005**

The District contributes a percentage of the salaries of all eligible employees to a 401K deferred compensation plan. Employees may elect to have a portion of their compensation deferred having the District withhold it and place it in trust in a 401K plan. The District allows employees to choose one of two 401K plans: one administered by the Utah State Retirement Board, the other by the Utah Interlocal Benefits Trust Board.

10. Risk Management

Uintah School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For all of these risks, except workers compensation, the District is a participant in the Utah State Risk Management Pool, a public entity risk pool operated by the state of Utah for the benefit of all public school districts, all state universities and colleges, and all state agencies. Uintah School District pays an annual premium to State Risk Management for its insurance coverage. The District's losses are covered subject to the following deductibles; property damage, \$1,000 per occurrence; vehicle comprehensive and damage, \$500 per occurrence. State Risk Management is considered a self-sustaining risk pool. It purchases excess commercial insurance for property losses in excess of \$1 million per occurrence and \$2.5 million in the aggregate.

Uintah School District purchases its workers compensation insurance from Utah School Board's Risk Management Mutual Insurance Association, a mutual insurance association owned by 30 participating school districts. Uintah School District's workers compensation claims are fully covered with no deductible.

The District also purchases health and accident insurance for its employees through commercial insurance.

11. Interfund Transfers

In addition to the basic property tax levy for capital outlay purposes, State law allows the District to levy an "additional 10% of the basic." The funds generated by this tax levy may only be used by the District for the purchase of school sites, construction of buildings, the purchase of equipment, and the purchase of supplies. Each year the District transfers a portion of this *additional 10% of basic* to the general fund to be used for qualified expenditures. For the fiscal year ended June 30, 2005 \$1,276,000 was transferred from capital outlay to general fund.

Uintah School District

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

General Fund

For the year ended June 30, 2005

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Property Taxes & fees in lieu	\$ 978,278	\$ 4,278,278	\$ 4,931,130	\$ 652,852
State aid	25,836,244	20,380,456	20,756,484	376,028
Federal aid	5,328,432	6,265,875	5,316,376	(949,499)
Tuition	65,000	65,000	46,098	(18,902)
Earnings on investments	100,000	100,000	229,892	129,892
Other local revenues	958,570	198,730	638,933	440,203
Total Revenues	<u>33,266,524</u>	<u>31,288,339</u>	<u>31,918,913</u>	<u>630,574</u>
EXPENDITURES				
Current				
Instruction	22,590,155	23,574,378	22,104,383	1,469,995
Support services				
Students	1,668,138	2,009,491	1,375,185	634,306
Instructional Staff	1,063,112	1,069,753	862,139	207,614
District administration	1,069,021	815,048	680,268	134,780
School administration	2,125,229	2,130,639	2,101,450	29,189
Central	1,240,415	1,357,692	511,665	846,027
Operation and maintenance of plant	2,646,020	2,691,661	2,817,061	(125,400)
Student transportation	2,279,044	2,264,566	2,058,939	205,627
Capital Outlay				
Instruction	242,509	411,643	334,092	77,551
Support services	651,934	617,617	844,790	(227,173)
Total Expenditures	<u>35,575,577</u>	<u>36,942,488</u>	<u>33,689,972</u>	<u>3,252,516</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,309,053)</u>	<u>(5,654,149)</u>	<u>(1,771,059)</u>	<u>3,883,090</u>
OTHER SOURCES (USES) OF FUNDS				
Interfund transfers	2,211,017	2,211,017	1,276,000	(935,017)
Total Other Sources (Uses) of Funds	<u>2,211,017</u>	<u>2,211,017</u>	<u>1,276,000</u>	<u>(935,017)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>(98,036)</u>	<u>(3,443,132)</u>	<u>(495,059)</u>	<u>2,948,073</u>
Fund Balances at July 1	<u>7,393,499</u>	<u>7,393,499</u>	<u>7,393,499</u>	<u>-</u>
Fund Balances at June 30	<u>\$ 7,295,463</u>	<u>\$ 3,950,367</u>	<u>\$ 6,898,440</u>	<u>\$ 2,948,073</u>

The notes to the financial statements are an integral part of this statement.

Combining Balance Sheets
Other Governmental Funds
June 30, 2005

Uintah School District

ASSETS

	School Foods	Non K-12 Programs	Uintah Schools Foundation	Permanent Fund Uintah Schools Foundation Trusts	Total
Cash	\$ 8,894	\$ 80	\$ 28,616	\$ 15,000	\$ 52,590
Investments	704,801	996,533	38,660	60,884	1,800,878
Accounts Receivable					
Property taxes		748,852			748,852
Other local sources		3,868			3,868
State	48,826				48,826
Federal	24,866	78,842			103,708
Inventories	84,669				84,669
	<u>\$ 872,056</u>	<u>\$ 1,828,175</u>	<u>\$ 67,276</u>	<u>\$ 75,884</u>	<u>\$ 2,843,391</u>

LIABILITIES AND FUND EQUITY

Liabilities					
Accounts Payable	\$ 107	\$ 247			\$ 354
Accrued salaries & withholdings	65,447	46,959			112,406
Deferred revenue - Note 7		753,921			753,921
Total Liabilities	<u>65,554</u>	<u>801,127</u>			<u>866,681</u>
Fund Equity					
Reserved for special programs - Note 8		\$ 955,902	\$ 67,276	\$ 75,884	1,099,062
Unappropriated balances					
Undesignated	806,502	71,146			877,648
Total Fund Equity	<u>806,502</u>	<u>1,027,048</u>	<u>67,276</u>	<u>75,884</u>	<u>1,976,710</u>
	<u>\$ 872,056</u>	<u>\$ 1,828,175</u>	<u>\$ 67,276</u>	<u>\$ 75,884</u>	<u>\$ 2,843,391</u>

The notes to the financial statements are an integral part of this statement.

The notes to the financial statements are an integral part of this statement.

Combining Statement of Fiduciary Net Assets

June 30, 2005

Uintah School District

	Student Activities Fund	Flexible Spending Fund	Total Agency Funds
Assets			
Cash and investments	<u>\$ 181,031</u>	<u>\$ 37,135</u>	<u>\$ 218,166</u>
Liabilities			
Due to student organizations	\$ 181,031		\$ 181,031
Due to flexible spending	<u>-</u>	<u>\$ 37,135</u>	<u>37,135</u>
Total liabilities	<u>\$ 181,031</u>	<u>\$ 37,135</u>	<u>\$ 218,166</u>

The accompanying notes are an integral part of this statement.

Uintah School District

Statement of Changes in Assets and Liabilities Student Activities Agency Fund For the Year Ended June 30, 2005

	Balance Due to Student Organizations June 30, 2004	Cash Receipts	Cash Disbursements	Balance Due to Student Organizations June 30, 2005
Assets				
Cash and investments	<u>\$ 133,074</u>	<u>\$ 922,211</u>	<u>\$ 874,254</u>	<u>\$ 181,031</u>
Liabilities				
Due to student organizations:				
* Uintah High School	\$ 336	\$ 525,300	\$ 477,311	\$ 48,325
* Vernal Junior High School	16,664	101,789	95,436	23,017
Vernal Middle School	26,835	43,534	45,512	24,857
West Junior High School	2,798	23,899	26,489	208
 Ashley Elementary School	 19,360	 60,035	 61,092	 18,303
Davis Elementary School	11,376	15,203	14,575	12,004
Discovery Elementary School	18,603	42,411	36,037	24,977
Lapoint Elementary School	231	23,641	21,452	2,420
 Maeser Elementary School	 21,242	 32,805	 32,326	 21,721
Naples Elementary School	15,263	34,605	43,440	6,428
Todd Elementary School	2,332	18,989	20,584	737
* Ashley Valley Education Center	(1,966)			(1,966)
 Total Liabilities	<u>\$ 133,074</u>	<u>\$ 922,211</u>	<u>\$ 874,254</u>	<u>\$ 181,031</u>

* Excludes student fees which are reported in the general fund.

The accompanying notes are an integral part of this financial statement.

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

Uintah School District

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Expenditures
U. S. DEPARTMENT OF EDUCATION			
Direct Programs			
Impact Aid Title VII (PL-874)	84.041	N/A	\$ 877,362
Indian Education Title IV	84.060	N/A	108,865
Carol M. White Physical Education Program	84.215F	N/A	74,751
Connections	84.287A	N/A	687,957
Title VIII-Training for All Teachers	84.195B	N/A	229,842
Partners in Character Education - LEA Grants	84.215S	N/A	306,439
Total Direct			2,285,216
Passed Through State Department of Education			
Chapter 1 Programs-Local Educational Agencies/Administration	84.01A	08	1,034,344
Eisenhower Mathematics & Science Education - State Grants	84.281A	16	385
Special Education - State Grants	84.027A	19	1,095,502
Special Education - Preschool Grants	84.173A	52	77,989
Adult Education - State Administered Basic Grant Program	84.002A	33	29,300
Vocational Education - Basic Grants to States	84.048A	21	187,682
UBATC Tech Prep	84.243A	26	22,634
Safe & Drug-free Schools & Communities	84.186A	09	38,056
Improving Teacher Quality	84.367	74	318,544
Even Start - State Educational Agencies	84.213C	18	88,599
Tech-Literacy Challenge	84.318X	07	35,577
Title III - English Language Acquisition	84.365	73	31,108
Comprehensive School Reform	84.332A	27	26,496
Title VA - State Assessments	84.369	76	28,598
Connections Edge	84.287C	60	77,517
Total Pass Through			3,092,331
Total U.S. Department of Education			5,377,547
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education			
National School Lunch Program/Special Assistance Program	10.555	42/43	816,453
School Breakfast Program	10.553	44	150,716
Child & Adult Care Food Program	10.558	47/49	18,094
Summer Food Service for Children	10.559	48	18,487
Nutrition	10.574	50	7,426
Food Distribution (Commodities)	10.550	N/A	125,046
Total Pass Through			1,136,222
Other Assistance			
Forest Reserve	10.665	N/A	31,414
Total U.S. Department of Agriculture			1,167,636
Total Federal Financial Assistance			\$ 6,545,183

See the accompanying notes.

Uintah School District

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2005

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Uintah School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The amounts presented in the schedule agree with amounts presented in, or used in the preparation of the basic *governmental fund* financial statements.

Reconciliation to General Ledger

Total Federal Financial Assistance	\$ 6,540,608
Federal pass-through revenues classified as local in financial statements	
UBATC Tech Prep	(36,593)
Federal revenues received -- not classified as federal awards:	
E-Rate	<u>142,040</u>
Total federal revenues reported in financial statements	<u>\$ 6,646,055</u>

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education
Uintah School District
Vernal, Utah

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Uintah School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 22, 2005. We conducted our audit in accordance with auditing standard generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Uintah School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Uintah School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and

its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting, which we have reported to management of Uintah School District in the accompanying schedule of findings and questioned costs dated November 22, 2005.

This report is intended solely for the information of the Board of Education, management and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Callwell, Cramer & Co., LLP

Vernal, Utah
November 22, 2005

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education
Uintah School District
Vernal, Utah

Compliance

We have audited the compliance of Uintah School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Uintah School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Uintah School District's management. Our responsibility is to express an opinion on Uintah School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Uintah School District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Uintah School District's compliance with those requirements.

In our opinion Uintah School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Uintah School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Uintah School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Caldwell, Coombs & Kelly LLP

Vernal, Utah
November 22, 2005

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**INDEPENDENT AUDITORS' REPORT ON STATE
LEGAL COMPLIANCE**

Uintah School District Board
Uintah School District
Vernal, Utah

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Uintah School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 22, 2005. As part of our audit, we have audited the Uintah School District's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the year ended June 30, 2005. The District received the following major State assistance programs from the State of Utah:

- Minimum School Program (State Office of Education)
- Pupil Transportation (State Office of Education)
- Special Education (State Office of Education)
- Special Education - Preschool (State Office of Education)
- School Lunch (State Office of Education)
- Quality Teaching (State Office of Education)
- School Trust Land (State Office of Education)
- Applied Technology (State Office of Education)
- Youth In Custody (State Office of Education)
- Highly Impacted Schools (State Office of Education)
- Local Program (State Office of Education)
- Small Schools (State Office of Education)
- Textbooks and School Supplies (State Office of Education)
- Student Interventions Block Grant (State Office of Education)
- Class Size Reduction K-8 (State Office of Education)
- Professional Staff (State Office of Education)
- Reading Achievement K-3 (State Office of Education)
- One Time Bonus (State Office of Education)

The District also received the following nonmajor grants, which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of the Uintah School District's financial statements.)

- Adult High School Completion (State Office of Education)
- Concurrent Enrollment (State Office of Education)

Advanced Placement (State Office of Education)
Extended Year - Severely Disabled (State Office of Education)
Gifted and Talented (State Office of Education)
At-risk Homeless-Minority (State Office of Education)
Driver Education (State Office of Education)
At-risk Student Program (State Office of Education)
Teacher Supplies & Materials (State Office of Education)
Art Education (State Office of Education)
Artworks for Kids (State Office of Education)
Substance Abuse (State Office of Education)
Elementary Science In-service (State Office of Education)
UPASS (State Office of Education)
Job Enhancement (State Office of Education)

Our audit also included testwork on the District's compliance with those general compliance requirements identified in the Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth In Taxation & Property Tax Limitations
Other General Issues

The management of the Uintah School District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion the Uintah School District complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

Caldwell, Coombes & Co. CPAs

Vernal, Utah
November 22, 2005

UINTAH SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2005

A. SUMMARY OF AUDIT RESULTS

1. The Auditors' report expresses an unqualified opinion on the financial statements of Uintah School District.
2. No reportable conditions relating to the audit of the financial statements are reported in the Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Uintah School District were disclosed during the audit.
4. No reportable condition relating to the audit of the major federal award programs are reported in the Report On Compliance With Requirements Applicable To Each Major Program And Internal Control Over Compliance In Accordance With OMB Circular A-133.
5. The auditors' report on compliance expresses an unqualified opinion.
6. No audit findings relative to the major federal award programs for Uintah School District are reported in Part C. of this Schedule.
7. The programs tested as major programs included:

<u>Name of Program</u>	<u>CFDA No.</u>
Special Education - State Grants	84.027A
Special Education - Preschool Grants	84.173A
Carol M. White Physical Education Program	84.215F
Partners in Character Education - LEA Grants	84.215S
Even Start - State Educational Agencies	84.2.13C
Connections Edge	84.287C

8. The threshold for distinguishing Type A and B programs was \$300,000.

UINTAH SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2005

9. Uintah School District was determined to be a low-risk auditee.

B. FINDINGS--FINANCIAL STATEMENTS AUDIT

COMPLIANCE MATTERS

None

REPORTABLE CONDITIONS

None

C. FINDINGS AND QUESTIONED COSTS -- MAJOR FEDERAL AWARD PROGRAMS AUDIT

Questioned Costs

Total Questioned Costs -- All Federal Departments

\$ none

C. MANAGEMENT LETTER POINTS

05-1. Policy Regarding Grant Applications and Management

Finding -- We noted several management issues with respect to one grant program. The approved grant application specified compensation for the program director that exceeded the District's salary schedule. The program director, the primary vendor for the program, and the program's contract evaluator were all related. These relationships were apparently known and approved by the District when the grant application was submitted. The program expended funds gathering research data for the vendor, for which the program was reimbursed; however there was no contract or written agreement that specified the services District employees were to provide to the vendor, or the amount of reimbursement to be received.

Criteria -- The District has established standardized procedures and policies for management and expenditure of District funds, including grant funds.

Effect -- Considerable friction and misunderstanding occurred regarding the program director's compensation. The reliability of evaluation results may be questioned because of the family

UINTAH SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2005

relationships. The District's business office was not aware of the reimbursable services being performed, or the terms for reimbursement until after considerable conversation with the vendor. The vendor likewise, was unaware of the amounts of reimbursable expenses being incurred.

Recommendation – The District should consider a policy that requires the provisions of all grant applications to conform to the District's standard policies for employment and compensation, and for procurement of goods and services. Arrangements involving related parties should be avoided, or should include specific controls to mitigate the increased risks and potential problems. Any arrangements involving reimbursements for services by District employees should be formally agreed to in writing in advance. Any exceptions to the District's standard policies should be subject to advance review procedures and approvals. Finally all grant applications should be reviewed and approved by the Business Administrator, prior to their submission.

District Response – The district currently has in place a procedure that requires the business office to review all grants prior to the grant application being submitted. However, without an actual policy approved by the Board of Education the procedure basically is not followed. In the event a grant application is submitted without a review by the business office, the school district will not act as the fiscal agent of the grant. The district will remind employees of this procedure.

The district will also begin to draft a policy regarding grant applications and the handling of grants and their funds after the grant is awarded. In addition the district will begin to draft a policy in regards to related parties, not only for federal grants, but also for the district as a whole.

This policy will include related party issues between employees, vendors, and any evaluators used by the district.

05-2. Individual Schools – Accounting Issues

Finding – We noted several instances where receipts and checks were coded to incorrect accounts. We noted that the use of purchase orders is inconsistent in the schools. We noted several instances where expenditures were not supported by adequate documentation. In several instances school funds were not deposited within three business days as required by State law. In one school the principal has given the secretary a signature stamp to be used for signing checks or other documentation in the principal's absence. None of the schools used budgets to monitor their expenditures. Several of the school secretaries were new in their positions and reported that they had received little training and were not sure how to perform school accounting functions.

UINTAH SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2005

Criteria – The District has established standardized accounting procedures for receiving, expending and accounting for funds within individual schools.

Effect – District funds were not correctly accounted for in accordance with established procedures in these instances. Internal control was compromised by use of a signature stamp.

Recommendation – District Business Office personnel should review the findings specific to each school, and should meet with school secretaries and principals to address the issues applicable to each school. Secretaries should receive training, as required. New secretaries may need training beyond the annual one-day workshop the District has normally used. The District office may consider whether schools should be required to use budgets to monitor their expenditures. Use of the principal's signature stamp should be immediately discontinued.

District Response – The business office will meet with the necessary staff and review their specific findings. The business office will also develop a training program for the future in order to ensure that new hires receive the appropriate financial training. The business office will also ensure that signature stamps are not being used.

05-3 Purchasing Card Expenditures - Account Coding and Verification

Finding – We noted two instances where travel expenses charged on District purchasing cards were charged to the capital outlay fund. In one instance the amount was coded to supplies. We noted that accounts payable clerks review the summary sheets turned in by employees; but do not review the supporting detail.

Criteria – Certain programs are restricted as to the types of expenditures that can be charged to them, as is the case with the capital outlay fund. Expenditures must be accurately coded to the appropriate accounts for the accounting records to accurately report the District's activities and compliance with contracts, grants, and legal restrictions.

Effect - Expenditures were charged to incorrect accounts.

Recommendation – We recommend the accounts payable clerks review the supporting documentation on purchasing card payments. District personnel should be reminded of the importance of accurately coding purchasing card expenditures.

UINTAH SCHOOL DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2005**

District Response --The business office will review the importance of the credit card procedures including the proper coding of expenditures. In addition, the business office has already begun to review each specific item purchased on each card. Questionable charges are forwarded to the principal or supervisor of the card user, for which the business office requires a written response. Any violations of credit card use in the future will result in loss of credit card privileges.

Summary Schedule of Prior Audit Findings
Federal Awards Programs
For the year ended June 30, 2005

DEPARTMENT OF EDUCATION

04-1. Allowable Costs/Cost Principles – Documentation of Employee Time and Effort

84.287 Connections (Twenty-First Century Community Learning Centers)

Finding – One salaried employee did not complete required semi-annual certifications or maintain required time records. Other evidence showed that the distribution of expense between programs for the employee was appropriate.

Recommendation – The District should obtain the required certifications or time records from the affected employees.

Current Status – The district implemented the necessary procedures to meet this federal requirement. The district believes it has solved this finding and will continue to meet this requirement.

04-2. Special Tests and Provisions – Participation of Private School Children

84.287 Connections (Twenty-First Century Community Learning Centers)

Finding – The District did not conduct consultation with private school officials to determine the kind of educational services to provide to eligible private school children and has no records of services being provided to eligible private school children.

Recommendation – The District should conduct timely consultation with private school officials to determine the kind of educational services to provide to eligible private school children. The District should document

Summary Schedule of Prior Audit Findings
Federal Awards Programs
For the year ended June 30, 2005

its meetings with private school officials and the services provided and amounts expended for private school children.

Current Status – The District implemented the recommendations.

Uintah School District

Status of Prior Year Findings and Management Letter Points For The Year Ended June 30, 2005

The following management letter points were reported in the audit for the prior year ended June 30, 2004. Each finding is repeated as it was reported, with the addition of a brief description of the current status of the matter. Matters involving federal awards programs are not included in this report. See the accompanying *summary schedule of prior audit findings*, which reports on matters regarding federal awards.

FINDINGS--FINANCIAL STATEMENTS AUDIT

MANAGEMENT LETTER POINTS

04-3. Individual Schools – Accounting Issues

Finding – We noted several instances where receipts and checks were coded to incorrect accounts. We noted that the use of purchase orders is inconsistent in the schools. We noted several instances where the signatures on checks were either missing or improper. We noted several instances where expenditures were not supported by adequate documentation. We noted several instances in one school where one receipt was used to record many transactions, rather than issuing individual receipts to payers. In one school we noted that kindergarten teachers were receiving and expending funds independently – funds were not being deposited in or expended from authorized school accounts, and no accounting for the funds was available in the school. None of the schools used budgets to monitor their expenditures.

Recommendation – District Business Office personnel should review the findings specific to each school, and should meet with school secretaries and principals to address the issues applicable to each school. Secretaries should receive training, as required. The District office may consider whether schools should be required to use budgets to monitor their expenditures.

Current Status – We noted similar findings in the current year audit. See Finding 05-2.